

- (1) each BNF identified under subsection (e) of this section and calculated under subsection (f) of this section, including those that are specified as required BNFs under subsection (e)(1)-(11) of this section;
  - (2) costs common to BNFs as identified and calculated under subsection (h) of this section;
  - (3) each tariffed services as calculated under subsection (g) of this section; and
  - (4) each groups of services identified under subsection (h) of this section and calculated under subsection (i) of this section.
- (l) **Requirements for subsequent filings of LRIC studies.** The LRIC studies required by this subsection shall be consistent with the principles, instructions and requirements set forth in this section and the workplan approved in subsection (m) of this section and shall be reviewed in accordance with the procedures established in subsection (n) of this section.
- (1) **Updated studies.** Thirty-six months after the effective date of the section, and every six months thereafter, the DCTU shall file with the commission and OPUC updated versions of all filings, other than the workplan, required under this section. The DCTU is not required to update its filings for those studies where no significant changes have occurred.
  - (2) **Provisions for new BNFs.** When significant technological or other changes occur that necessitate a change in the definition of current BNFs or the identification of new BNFs, the DCTU shall file with the commission and OPUC updated versions for all affected LRIC studies or new studies as appropriate.
  - (3) **Provisions for new services.** For each application for a service filed pursuant to this title, the DCTU shall file with the commission and OPUC a LRIC study for the service consistent with the principles described in subsection (d) of this section and the specific requirements set forth in subsection (g) of this section.
  - (4) **Unbundling of existing tariffed services.** When an application filed pursuant to this title proposes a service that previously had been bundled with other BNFs into a tariffed service, the DCTU shall carefully reexamine the identification of groups of services that share significant common costs (as required under subsection (h) of this section). If the new service significantly changes the identification of groups of services and the identification of common costs, the DCTU should update all studies required under this section that are affected by these changes.
- (m) **Review process for DCTU workplan.** A DCTU workplan considered under this section shall be reviewed administratively to determine whether the DCTU's workplan is consistent with the principles, instructions and requirements set forth in this section.
- (1) **Sufficiency.** The workplan shall be examined for sufficiency. To be sufficient, the DCTU's workplan shall include the components required by subsection (j) of this section. If the presiding officer or the commission staff concludes that material deficiencies exist in the workplan, the DCTU shall be notified within 15 days of the filing date of the specific deficiency in its workplan. The DCTU shall have 15 days from the date it is notified of the deficiency to file a corrected workplan.
  - (2) **Time Schedule.**
    - (A) No later than 60 days after the filing date of the sufficient workplan, any party that demonstrates a justiciable interest may file with the presiding officer written comments or recommendations concerning the workplan.
    - (B) No later than 70 days after the filing date of the sufficient workplan, OPUC may file with the presiding officer written comments or recommendations concerning the workplan.
    - (C) No later than 80 days after the filing date of the sufficient workplan, the commission staff shall file with the presiding officer written comments or recommendations concerning the workplan.
    - (D) No later than 90 days after the filing date of the sufficient workplan, any party that demonstrates a justiciable interest, OPUC, or the DCTU may file with the presiding officer a written response to the commission staff's recommendation.

- (E) No later than 100 days after the filing date of the sufficient workplan, the presiding officer shall complete an administrative review to determine whether the DCTU's workplan is consistent with the principles, instructions and requirements set forth in this section. The presiding officer shall approve the workplan or order the DCTU to refile the workplan incorporating all modifications recommended by the presiding officer.
  - (3) **Requests for Information.** While the workplan is being administratively reviewed, the commission staff, OPUC, and any party that demonstrates a justiciable interest may submit requests for information to the DCTU. Three copies of all answers to such requests for information shall be provided within 15 days after receipt of the request by the DCTU to the commission staff, OPUC and any party that demonstrates a justiciable interest.
  - (4) **Suspension.** At any point within the first 60 days of the review process, the presiding officer, the commission staff, OPUC, the DCTU, or any party that demonstrates a justiciable interest may request that the review process be suspended for 30 days. The presiding officer may grant a request for suspension only if he or she has determined that the party has demonstrated that good cause exists for such suspension.
  - (5) **Effective date of the DCTU's workplan.** The effective date of the DCTU's workplan shall be the date it is approved by the presiding officer.
- (n) **Review process for LRIC studies.** A LRIC study considered under this section shall be reviewed administratively to determine whether the DCTU's LRIC study is consistent with the principles, instructions and requirements set forth in this section.
- (1) **Sufficiency.** The LRIC study shall be examined for sufficiency. To be sufficient, the LRIC study shall conform to the prototype studies developed under the workplan approved under subsection (m) of this section. If the presiding officer or the commission staff concludes that material deficiencies exist in the LRIC study, the DCTU shall be notified within 15 days of the filing date of the specific deficiency in its LRIC study. The DCTU shall have 15 days from the date it is notified of the deficiency to file a corrected LRIC study.
  - (2) **Time Schedule.**
    - (A) No later than 45 days after the filing date of the sufficient LRIC study, any party that demonstrates a justiciable interest may file with the presiding officer written comments or recommendations concerning the LRIC study.
    - (B) No later than 55 days after the filing date of the sufficient LRIC study, OPUC may file with the presiding officer written comments or recommendations concerning the LRIC study.
    - (C) No later than 65 days after the filing date of the sufficient LRIC study, the commission staff shall file with the presiding officer written comments or recommendations concerning the LRIC study.
    - (D) No later than 75 days after the filing date of the sufficient LRIC study, any party that demonstrates a justiciable interest, OPUC, or the DCTU may file with the presiding officer a written response to the commission staff's recommendation.
    - (E) No later than 85 days after the filing date of the sufficient LRIC study, the presiding officer shall complete an administrative review to determine whether the DCTU's LRIC study is consistent with the principles, instructions and requirements set forth in this section. The presiding officer shall approve the LRIC study or order the DCTU to refile the LRIC study incorporating all modifications recommended by the presiding officer.
    - (F) Any party may appeal to the commission an administrative determination by a presiding officer within five days after the date of notification of the determination. The commission shall rule on the appeal within 30 days after the date it receives the appeal. If the commission or a presiding officer orders a cost study to be changed, the dominant certificated telecommunications utility shall be ordered to make those changes within a period that is commensurate with the complexity of the LRIC study.
  - (3) **Requests for Information.** While the LRIC study is being administratively reviewed, the commission staff, OPUC, and any party that demonstrates a justiciable interest may submit requests for information to the DCTU. Three copies of all answers to such requests for information shall be

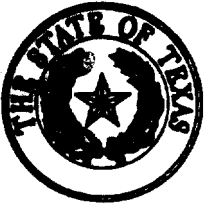
provided within ten days after receipt of the request by the DCTU to the commission staff, OPUC and any party that demonstrates a justiciable interest.

- (4) **Suspension.** At any point within the first 45 days of the review process, the presiding officer, the commission staff, OPUC, the DCTU, or any party that demonstrates a justiciable interest may request that the review process be suspended for 30 days. The presiding officer may grant a request for suspension only if he or she has determined that the party has demonstrated that good cause exists for such suspension.
  - (5) **Effective date of the LRIC study.** The effective date of the LRIC study shall be the date it is approved by the presiding officer.
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- (o) **Notice requirements.** At least ten days before a DCTU files any workplan or LRIC study pursuant to this section, the DCTU shall file with the commission and OPUC a notice of its intent to file such workplan or LRIC study and the expected filing date. The DCTU's notice shall indicate that the filing is being made pursuant to this section. The commission shall then publish notice of the DCTU's intent to file the workplan or LRIC study in the Texas Register.
  - (p) **Pricing rule.** Within 180 days of September 10, 1993, the commission shall initiate a rulemaking proceeding to develop a pricing methodology for DCTU services that is consistent with the cost information obtained under this section.

**Attachment B**

**Comments by the Public Utility Commission of Texas**

**CC Docket No. 95-72, *In the Matter of End User Common Line Charges***



## Public Utility Commission of Texas

7800 Shoal Creek Boulevard  
Austin, Texas 78757-1098  
512/458-0100 • (Fax) 458-8340

Robert W. Gee  
Chairman

Sarah Goodfriend  
Commissioner

Pat Wood, III  
Commissioner

June 26, 1995

Office of the Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

RE: Notice of Proposed Rulemaking, In the Matter of: End User Common Line Charges,  
CC Docket No. 95-72

Dear Secretary:

Enclosed for filing are an original and nine copies of the Public Utility Commission of Texas' comments in response to the Notice of Proposed Rulemaking In the Matter of: End User Common Line Charges, CC Docket No. 95-72.

Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script that reads "Rowland L. Curry".

Rowland L. Curry, P.E.  
Director  
Telephone Utility Analysis Division

Enclosures



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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of

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§

End User Common  
Line Charges

CC Docket No. 95-72

**COMMENTS OF  
THE PUBLIC UTILITY COMMISSION OF TEXAS**

**I. INTRODUCTION**

1. On May 30, 1995, the Federal Communications Commission ("FCC" or "Commission") released its Notice of Proposed Rulemaking in this proceeding.<sup>1</sup>

2. The FCC is seeking comment on the proper application of Subscriber Line Charges ("SLCs") to Integrated Services Digital Network ("ISDN") service provided to residential and business customers as well as to other services that permit the provision of multiple derived channels over a single facility. The FCC believes that the consideration of this issue must take into account competitive developments in the interstate access market, the need to ensure fair competitive ground rules, and the

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<sup>1</sup> Notice of Proposed Rulemaking, In the Matter of End User Common Line Charges, CC Docket No. 95-72 ("NPRM").

need to preserve universal service in a changing environment.<sup>2</sup> The FCC has asked for comments by June 29, 1995 and reply comments by July 14, 1995.

3. The following comments represent the views of the Public Utility Commission of Texas ("PUCT").

## **II. PUCT SUPPORTS DEPLOYMENT AND PROVISION OF ISDN**

4. The PUCT strongly supports the deployment and provision of ISDN. In January, 1995, the PUCT adopted its ISDN Rule.<sup>3</sup> The PUCT found that ISDN is an alternative to "plain old telephone service," and, as such, ISDN should be made available to customers at a reasonable price, should be as accessible as possible to customers who want ISDN, should meet minimum standards of quality and consistency, and should be provided in such a manner that permits the local exchange carrier ("LEC") a reasonable opportunity to earn a reasonable return on invested capital. Further, the PUCT found that ISDN is not a replacement for "plain old telephone service" at this time but that ISDN provides the public switched network with end-to-end digital connectivity. The provisions of the rule establish the minimum criteria for the provision of ISDN in Texas.<sup>4</sup>

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<sup>2</sup> NPRM, para. 15.

<sup>3</sup> PUCT Substantive Rule §23.69, Integrated Services Digital Network (ISDN); PUCT Project No. 12756.

<sup>4</sup> PUCT Substantive Rule §23.69(a).

5. In adopting the rule, Chairman Robert W. Gee stated, "I think that we wish to send a clear message to the world, if you will, that we believe that the deployment of this technology is integral and is a key part to the telecommunications infrastructure for the State of Texas."<sup>5</sup>

### III. THE FCC'S ANALYTICAL FRAMEWORK

6. The FCC notes that this rulemaking proceeding gives the Commission an opportunity to reexamine existing rules and make changes in light of new technologies and services and that the Commission must be careful to avoid erecting regulatory barriers to the development of beneficial new technologies. At the same time, the FCC believes that its rules should not be amended to favor new technologies and services simply because they are new and that any change in regulatory treatment must have a sound basis in public policy.<sup>6</sup>

7. The FCC further believes that it is desirable to avoid measures that could reduce the level of nontraffic sensitive ("NTS") local loop costs now recovered through flat charges (i.e., the SLC). The Commission notes that any reduction in SLC revenues will tend to increase interstate toll rates, because lower SLC revenues will cause LECs to seek to recover additional revenues through the per minute carrier common line ("CCL") charge. The FCC also believes policies that would appear to

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<sup>5</sup> PUCT Final Order Meeting, January 18, 1995, Transcript, p. 203.

<sup>6</sup> NPRM, para. 17.



reduce dramatically the SLC charges to large business customers, but not to residential customers, must be carefully examined.<sup>7</sup>

8. The FCC believes, that in order to ensure fair competition and preserve universal service, the resolution of the issues in this proceeding should take into account competitive developments in the interstate access market and the accompanying need to identify and reduce unnecessary support flows.<sup>8</sup> The FCC is concerned that an increase in the per minute CCL charge paid by interexchange carriers ("IXCs") may create incentives for high volume toll customers to use competitors even when the LEC would be the most efficient access provider. In the long run, this uneconomic bypass could threaten to undermine the support flows that foster universal service.<sup>9</sup>

#### **IV. PUCT RESPONSE**

##### **A. Introduction**

9. The PUCT agrees that the analytical framework set forth by the FCC should be used to guide the resolution of this issues raised in this rulemaking. The PUCT summarizes this analytical framework as follows: (1) Current regulatory treatments may change due to the introduction of new technologies and services, and the changes must have a sound public policy basis.<sup>10</sup> (2) Changes in current

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<sup>7</sup> NPRM, para. 18.

<sup>8</sup> NPRM, para. 19.

<sup>9</sup> NPRM, para. 20.

<sup>10</sup> NPRM, para. 17.

regulatory treatments that could increase the CCL rate or that reduce the charges to large business customers, but not the charges to residential customers, must be carefully examined.<sup>11</sup> (3) Changes in current regulatory treatments must ensure fair competition and preserve universal service.<sup>12</sup>

10. The PUCT believes that the FCC's rules must be modified to incorporate the policy goals outlined in the FCC's framework.

#### **B. Current FCC Rules Must Be Modified**

11. The existing FCC rules require that the LECs charge a SLC for each derived channel in the case of ISDN and other similar services. The PUCT agrees with the FCC that because the current rules increase the customer's total price for ISDN, that they will tend to reduce demand for such services.<sup>13</sup> Based upon the FCC's framework and the PUCT's belief that the deployment of ISDN is integral to the telecommunications infrastructure, the PUCT believes that the current regulatory treatments mandated by the FCC's rules must be modified.

#### **C. PUCT Recommendation**

12. The PUCT recommends that the FCC adopt an option that represents a middle ground between the per facility approach, under which a customer would pay a single SLC for each BRI or PRI, and the per derived channel approach, under which a

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<sup>11</sup> NPRM, para. 18.

<sup>12</sup> NPRM, para. 19.

<sup>13</sup> NPRM, para. 31.

customer would pay a SLC for each derived, or B, channel. The PUCT recommends that SLCs be charged based on a ratio of the average LEC cost of providing a derived channel service, including line or trunk cards, to the average LEC cost of providing an ordinary local loop or T-1 facility.<sup>14</sup> As explained below, the PUCT believes that this option provides the appropriate balancing of the policy goals outlined in the FCC's framework.

13. The PUCT believes changing the regulatory treatment of this new technology has a sound basis in public policy. As discussed above, the PUCT believes that ISDN is an alternative to "plain old telephone service" and provides the network with end-to-end digital connectivity. Also, this technology can facilitate access to the benefits of the National Information Infrastructure. The PUCT believes that demand for ISDN should be encouraged. For these public policy reasons, the PUCT believes that it is appropriate to reduce the current SLCs to ISDN customers, thus addressing the concern that the FCC's rules may tend to reduce the demand for ISDN.

14. The FCC anticipates that this approach would produce SLC revenues for ISDN that are higher than those produced by the per facility approach, but less than those produced by the per derived channel approach,<sup>15</sup> because this option would calculate the SLCs to be charged based upon a ratio of the average cost of providing ISDN to the average cost of providing an ordinary local loop or T-1 facility. While

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<sup>14</sup> NPRM, para. 27.

<sup>15</sup> NPRM, para. 28.

the PUCT recognizes that the necessary cost data that would result in the recommended ratio must be collected and analyzed, it does not see this as an insurmountable drawback.<sup>16</sup> The PUCT believes that there may be ways of achieving the ratio, including the use of a surrogate.

15. Therefore, this option would appear not to reduce SLC revenues in a manner that would have a significant potential to increase CCL rates. Also, because this approach allocates the SLC based upon a cost ratio, it would appear not to result in a dramatic reduction in the SLC charges to large business customers as compared to the reduction in SLC charges to residential customers. Lastly, because this option appears not to put significant upward pressure on CCL rates, it would not promote uneconomic bypass of the LEC network, thus helping ensure fair competition and preserving universal service.

## V. CONCLUSION

16. In conclusion, the PUCT strongly supports the deployment and provision of ISDN, and the PUCT believes that the deployment of ISDN is integral to the telecommunications infrastructure. The PUCT believes that the current regulatory treatments mandated by the FCC's rules must be modified because the current rules increase the customer's total price for ISDN, and, therefore, tend to reduce the demand for ISDN. The PUCT recommends SLCs be charged based on a ratio of the

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<sup>16</sup> NPRM, fn. 40.

average LEC cost of providing a derived channel service, including line or trunk cards, to the average LEC cost of providing an ordinary local loop or T-1 facility. The PUCT believes that this option provides the appropriate balancing of the policy goals outlined in the FCC's framework.

Respectfully submitted,

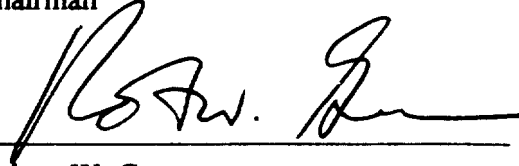
Public Utility Commission of Texas  
7800 Shoal Creek Blvd.  
Austin, Texas 78757

June 22, 1995



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Pat Wood, III  
Chairman



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Robert W. Gee  
Commissioner

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